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Intelligence Report

The World Sugar Market: Situation in 1974 and Outlook for 1975

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**The World Sugar Market:
Situation in 1974
and Outlook for 1975**

KEY JUDGMENTS

Soaring world sugar prices in the first three quarters of 1974 – from 15 cents a pound in January to 34 cents in September in the free market – reflected a tightening of the market supplies despite a 5% gain in world sugar production in the 1973/74 crop year. Major factors were:

- a 16% decline in free market supplies because exporting countries diverted sugar to the US market and to domestic needs;
- continued strong demand by most major importers;
- spillover of worldwide inflationary pressures; and
- reduction of world stocks to 15.4 million metric tons, or 20% of annual consumption -- almost as low as the level that triggered the 1963 sugar boom.

Free market prices skyrocketed to 65 cents during November as a result of the market's overreaction to a spate of bad crop reports and rumors. These included:

- reports of the poor outlook for the 1974/75 harvests in Western and Eastern Europe and the USSR,
- announcements of suspension of export sales by Poland and the Philippines,
- rumors of Soviet free market purchases of 400,000 to 500,000 tons, and
- rumors of widespread speculation and hoarding by the oil-producing Arab countries.

Note: Comments and queries regarding this report are welcomed. They may be directed to [redacted] of the Office of Economic Research, [redacted]

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Prices peaked in mid-November and reaction set in. By early March, the cooling of speculation and the deepening world recession had cut prices to less than 30 cents. While some downward pressure on prices probably will continue throughout the year, they will remain very high by previous standards.

- World sugar production will drop about 2% in the 1974/75 crop year to an estimated 76.8 million tons.
- Reduced European Community and East European export sales will cut free market supplies about 5%.
- Low world stocks – equal to about 18% of annual consumption – will inhibit further drawdowns to supplement diminished production.

DISCUSSION

Prelude to 1974

1. The tight world sugar market has been several years in the making. Market pressures began to build in the 1970/71 crop year,¹ when a Cuban drought helped to cut world production below consumption. Production, increasing an average of only 3% annually, remained below consumption for the next two years, causing world stocks to drop 25% over the three-year period. By 31 August 1973, world stocks were down to 15.6 million tons, cutting their ratio to annual consumption to 21% -- well below the 25% ratio traders consider desirable for market stability.

2. Pressure on world sugar supplies centered on the free market, which traditionally has handled about 15% of world output and about 50% of the sugar moving in international trade. Because only that production not earmarked for domestic consumption or for preferential markets normally goes to the free market, the market has been forced to assume much of the burden of adjusting to changes in world supply and demand. Under the pressure of large, unexpected Soviet purchases in 1972 and 1973, the free market price rose from an average of 3.8 cents per pound in 1970 to 9.6 cents in 1973.

3. The remaining half of international sugar trade traditionally has its locus in four preferential markets: the US market, supplied by the Philippines, Latin America, and a few other countries; the UK market, supplied by Commonwealth countries; the remainder of the European Community, primarily supplied by France; and the Communist area market, supplied by Cuba.² Parties to these preferential agreements establish prices and trade quotas; prices received by sellers have been well above free market levels in most years. The relationship of preferential market to free market sales in recent years is as follows:

1. Unless indicated otherwise, sugar crop years referred to in this report end 31 August of the second year designated.

2. The US preferential market agreement was terminated effective 1 January 1975, thus shifting US trade to the free market. The UK agreement was terminated at the same time but is being replaced by a new agreement between the EC and most of the former Commonwealth suppliers.

	Million Tons		
	1971	1972	1973
World market (total)	20.5	20.9	21.4
Free market	9.2	10.7	11.0
Preferential markets	11.3	10.2	10.4
United States	5.1	5.0	4.8
United Kingdom	1.9	1.9	1.6
European Community ¹	1.0	1.0	1.0
Communist area	3.3	2.3	3.0

1. Excludes the United Kingdom, Ireland, and Denmark. Data are estimates.

Market Trends in 1974

Supply³

4. Favorable weather helped world sugar production reach a record 78.5 million tons in 1973/74, 5% above the previous year (see Table 1). Despite a slight decline in Eastern Europe, total output in the Communist area gained substantially with the return of good weather in the USSR and Cuba. Latin American production maintained a steady climb, largely reflecting government-backed expansion of plantings and milling capacity in Brazil and Argentina. Paced by India, the Philippines, and Taiwan, Asian producers also recorded substantial output gains as a result of increased plantings. Production slipped slightly in Australia and South Africa because of bad weather, and US output dropped about 10% as a result of diversion of some acreage to other crops.

5. Despite last year's production gains, free market sales declined an estimated 1.8 million tons, or 16% from 1973 (see Table 2). About half the decline represented reduced Brazilian deliveries because of (a) diversion of some shipments to the US market, (b) maintenance of inventory levels, and (c) increased domestic consumption. Curtailment of EC and East European shipments made up the remainder. EC sales were off because of greater internal demand for sugar, while East European deliveries fell as a result of the decline in domestic output.

Demand⁴

6. World consumption amounted to 78.7 million tons in 1973/74, maintaining the steady growth of the past decade. Much of the new consumption

3. For details on net exporting areas and regions, see Appendix A.

4. For details on net importing countries regions, see Appendix B.

Table 1

World Sugar Production¹

	Million Metric Tons, Raw Basis			
	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Total	71.4	74.8	78.5	76.8
Communist area	18.0	19.9	21.3	19.9
Of which:				
USSR	8.0	8.2	9.4	8.6
Cuba	4.4	5.4	5.8	5.5
Eastern Europe	4.0	4.4	4.3	3.9
Asia	9.9	11.3	12.0	11.5
Of which:				
Philippines	2.0	2.5	2.7	2.4
Latin America	15.5	16.3	18.2	19.0
Of which:				
Brazil	5.4	5.9	6.9	7.3
Western Europe	13.7	12.6	13.2	11.9
Of which:				
European Community	10.5	9.5	10.2	9.0
Africa	5.5	5.6	5.5	5.9
Of which:				
Union of South Africa	1.9	1.9	1.7	1.9
North America	5.7	6.1	5.4	5.3
Of which:				
United States	5.6	6.0	5.3	5.2
Oceania	3.1	3.0	2.9	3.3
Of which:				
Australia	2.7	2.7	2.6	3.0

1. Adjusted to the standard crop year of 1 September - 31 August.

occurred in the self-sufficient and exporting countries where government subsidies tended to keep retail prices artificially low. Consumption jumped sharply in Latin America where low retail sugar prices, high grain prices, and rising population contributed to the rise. Significant consumption gains were also registered in Western Europe, the Communist area, and Asia where a good Indian crop and rising incomes in the oil-producing nations overshadowed slightly reduced consumption in Japan. In the United States and Canada, where per capita consumption is pushing its upper limit, demand remained at about last year's level. Elsewhere, production and balance-of-payments constraints held consumption gains to a minimum.

Table 2

Sugar Exports to the Free Market

	Million Metric Tons, Raw Basis			
	1971	1972	1973	Estimated 1974
Total	9.2	10.7	11.0	9.2
Australia	1.2	1.7	1.5	1.4
Brazil	0.6	2.0	2.5	1.4
Cuba	2.2	1.8	1.8	2.0
Other Latin America	0.5	0.7	0.7	0.6
Eastern Europe	0.5	0.7	0.7	0.4
European Community	0.8	1.4	1.4	0.6
South Africa	0.7	1.0	0.8	0.8
USSR	1.1	....	....	....
Other countries	1.6	1.4	1.6	2.0

7. Increased UK purchases (see Table 3), required by London's failure to raise preferential prices, added to pressure on the free market. Britain's

Table 3

Free Market Sugar Purchases

	Million Metric Tons, Raw Basis			
	1971	1972	1973	Estimated 1974
Total	9.2	10.7	11.0	9.2
Asia	5.1	5.6	6.0	6.0
Of which:				
Japan	2.4	2.8	2.4	2.6
Africa	1.5	1.6	1.6	1.6
Canada	0.9	0.9	1.0	1.0
USSR	....	0.8	1.0	Negl.
United Kingdom	0.2	0.2	0.3	0.5
Other countries	1.5	1.6	1.1	0.1

Commonwealth suppliers had deserted to the higher priced US market. The resulting shifts in the 1974 market structure of world sugar trade were as follows:

	Million Tons	
	1973	Estimated 1974
World market (total)	21.4	20.4
Free market	11.0	9.2
Preferential markets	10.4	11.2
United States	4.8	5.4
United Kingdom	1.6	1.3
European Community	1.0	1.2
Communist area	3.0	3.3

Stocks and Prices

8. World sugar consumption in 1974 exceeded output for the fourth consecutive year (see Table 4). World stocks consequently dropped to an estimated 15.4 million tons on 31 August 1974. Among the importing countries, stocks apparently slipped in the United States and the United Kingdom. Although still low by traditional standards, stocks rose in the USSR, Japan, and the Middle Eastern countries. Stocks dropped in most exporting countries, except for Brazil and the Philippines, as they sought to take advantage of high free market prices. Although the decline in world inventories amounted to only 200,000 tons, the stock-consumption ratio fell below 20% -- almost as low as the level that triggered the 1963 sugar boom (see Figure 1).

Table 4

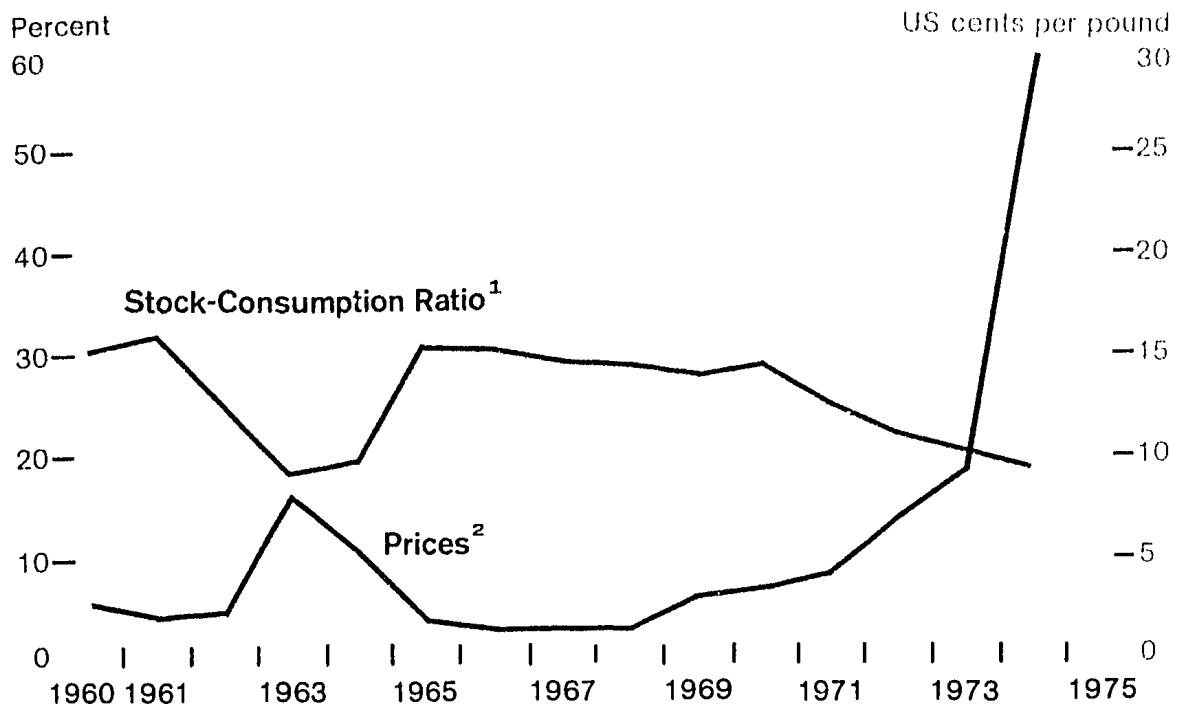
World Sugar Production, Consumption, and Stocks

	Million Metric Tons, Raw Basis		
	1971/72	1972/73	Estimated 1973/74
Initial stocks (1 September)	19.1	16.6	15.6
Production	71.4	74.8	78.5
Consumption	73.9	75.8	78.7
Final stocks (31 August)	16.6	15.6	15.4

9. The tightening supply situation coupled with monetary uncertainty and worldwide inflationary pressures sent 1974 free market prices soaring, from a January average of 15 cents a pound to 57 cents in November (see Figure 2).

World Sugar Stock-Consumption Ratio and Prices in the Free World

Figure 1



¹ As of 31 August.

² Average spot price for calendar year f.o.b. Caribbean ports.

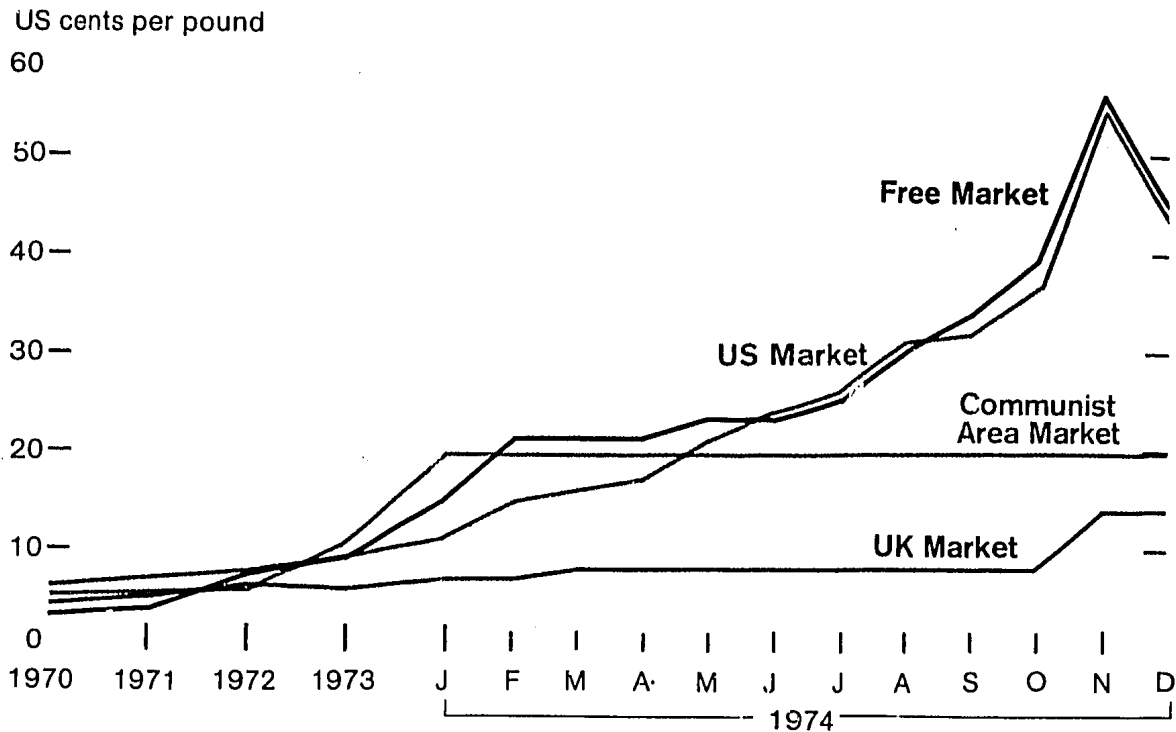
The rise put pressure on prices in the US and Communist area preferential markets as well. In midyear, the USSR and most other Communist countries boosted the price paid for Cuban sugar from 12 cents a pound to nearly 20 cents, reportedly retroactive to 1 January 1974. The US price lagged behind the free market price in the early months and then caught up in June, when failure to extend the US Sugar Act signaled the demise of the US preferential market. London's failure to significantly increase the price it paid for preferential sugar led to an enormous gap between the UK price and prices in the US and free markets, accounting for the desertion of its Commonwealth suppliers.

10. Beginning in late October, price gains accelerated as scare psychology triggered by rumors and adverse market reports sent free market prices spiraling to 65 cents a pound on 20 November. These harbingers included:

- reports of bad 1974/75 harvests from the EC, Eastern Europe, and the USSR;

Sugar Prices in Principal World Markets¹

Figure 2



¹ Average spot prices f.o.b. Caribbean ports.

- rumors that the USSR has placed free market orders up to 400,000 to 500,000 tons;
- announcements that Poland had suspended free market sales and that the Philippines had temporarily held up sales, ostensibly to assess damage from recent typhoons; and
- rumors of heavy market speculation and stockpiling by oil-producing Arab countries.

That traders had overreacted to these reports and rumors was indicated by the subsequent retreat of the free market price to 42 cents a pound by late December and to 28 cents in mid-March.

Outlook for 1975

11. Poor harvests in Eastern and Western Europe and the USSR will reduce world production for 1974/75 to about 76.8 million tons, 2% below last year. Adverse weather has reduced yields and has delayed harvesting in most European

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countries. Output in the EC alone is expected to be off by more than one million tons. In addition, the Soviet crop probably will drop 800,000 tons because of weather-induced harvest delays and below-normal sugar content of the beets. Altogether, European and Soviet shortfalls could total 2.5 million tons, more than offsetting expected gains in Latin America and elsewhere. Dry weather during the past summer growing season probably will restrict Cuban output to about 5.5 million tons.

12. Production shortfalls are almost certain to maintain some pressure on supplies in the enlarged free market in 1975. Despite increased shipments by Australia, Brazil, and other Latin American countries, aggregate supply will decline by about 1.9 million tons. At the same time, the impact on demand of high prices and the deepening recession in industrial countries probably will offset some of the pressure on supplies. Reduced US consumption, for example, is expected to cut US imports by as much as 600,000 tons, and other major importers such as Japan and Canada probably will limit purchases to no more than the 1974 levels.

13. A major source of pressure on free market supplies in 1975 is the resumption of Soviet purchases. Because of the reduced Soviet harvest and stable Cuban output, Moscow has already placed orders for at least 270,000 tons in the free market. Since the USSR has ample foreign exchange, Moscow may make additional large free market purchases in 1975.

14. Termination of the US and the UK preferential markets will have little net effect on the free market in 1975. The shift to the free market of sugar traditionally sold in the US market will be offset by US purchases. The UK preferential market has now been replaced by an early February 1975 EC agreement with a large number of less developed countries, including most former UK suppliers. Probable diversion from the free market this year of a substantial part of the 1.4-million-ton annual deliveries called for by the agreement for subsequent years likewise will simply be offset by a corresponding reduction in EC free market purchases.

15. Reaction to last fall's speculative boom has been swift and probably is largely completed. Further declines are possible but prices should remain in the 20-30 cent range throughout 1975. Recession and high prices will continue to restrain demand at least until the latter part of the year. By next fall, prospects for an increased 1975/76 harvest probably will help to hold prices in line. High prices have induced an expansion of both beet and cane sugar acreage. Given average weather in Europe and the USSR, therefore, 1975/76 world output will exceed the 1973/74 level, although probably not enough to add significantly to stocks.

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Longer Term Outlook

16. The tight world sugar supply situation is likely to ease considerably over the remainder of the 1970s. Supplies nevertheless will remain much tighter than in the second half of the 1960s. Consumption probably will grow somewhat more slowly than in recent years. Higher prices will tend to slow growth of demand in the less developed countries, and increasing use of non-sucrose sweeteners will restrict it in the industrial nations. At the same time, suppliers such as the EC, Brazil, Cuba, the Philippines, and several smaller exporters intend to increase production. Because of the heavy investment costs and long lead times required to expand milling capacity, however, prospective gains in output are unlikely to be great enough by 1980 to raise the world stock-consumption ratio to anything like the high level of the late 1960s.

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APPENDIX A

NET EXPORTING COUNTRIES AND REGIONS

AUSTRALIA

Summary

1. Reduced production in the crop year ending 30 April 1974 forced a 50% drawdown of stocks to meet 1974 export commitments. Exports in 1974 amounted to an estimated 2 million tons, down about 5% from a year earlier (see Table A-1). Expanded output in 1974/75, however, will permit exports in 1975 of about 2.2 million tons if, as seems likely, stocks are not rebuilt.

Table A-1

Australia: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 30 April	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	366	486	492	409	218
Production	2,501	2,732	2,735	2,593	2,950
Total supply	2,867	3,218	3,227	3,002	3,168
Consumption	748	725	734	762	750
Exports	1,633	2,001	2,084	2,022	2,200
Final stocks	486	492	409	218	218
Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	1,867	2,332	2,108	2,000	2,200
United States	198	202	244	215	2,200
United Kingdom	496	451	361	350	
Free market	1,173	1,679	1,503	1,435	
Of which:					
Japan	517	647	602	300	600
Canada	323	436	354	400	300

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Production and Consumption

2. Largely reflecting producer uncertainty caused by the long-scheduled termination of the Commonwealth Sugar Agreement, sugar production has not done well in recent years. Following a 9% rise in 1971/72, output held at 2.7 million tons in 1972/73 and then dropped in 1973/74 to 2.6 million tons because of wet weather during the harvest. Consumption, however, rose 4% in 1973/74 and equaled nearly 30% of output.

Exports and Stocks

3. Australia's major markets are Japan, the United Kingdom, Canada, and the United States, which together take almost 75% of exports. Exports reached a record 2.3 million tons in 1972 because of increased production and large Soviet purchases. Subsequently, sales have fallen off as supplies tightened. Foreign sales during 1974 probably were only about 2.0 million tons, even though stocks were drawn down heavily in the early part of the year to take advantage of rising world prices. By mid-1974, stocks were only about one-half their normal level.

Outlook for 1975

4. Increased acreage, prompted by the strong world market and favorable weather, are expected to raise the harvest to 3 million tons. With termination of the Commonwealth Sugar Agreement and US quotas, Australia is negotiating new long-term marketing arrangements to cover most of its exports. Three- to five-year agreements calling for deliveries totaling nearly 1.2 million tons annually have been signed with Japan, Malaysia, South Korea, and New Zealand. Negotiations for a long-term agreement with the United Kingdom were unsuccessful. If all these long-term contracts are consummated, they will absorb about 55% of Australia's projected 1975 exports.

Longer Term Outlook

5. In the future, Australia wants to cover the bulk of foreign sales by long-term contract. The industry estimates that foreseeable contracts would support exports of about 2.5 million tons and a production increase to about 3.4 million tons by 1978/79.

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BRAZIL

Summary

6. Replacing Cuba as the world's largest cane sugar producer, Brazil harvested an estimated 6.9 million tons in the crop year ending 30 May 1974, up 17% from a year earlier (see Table A-2). Exports in 1974 were cut about 22% to 2.3 million tons, however, to rebuild stocks. Although price controls will encourage consumption to rise in 1975, expanded output and the termination of stock accumulation should permit exports of about 2.7 million tons.

Production and Consumption

7. Production has grown rapidly since 1970 in response to the strengthening world sugar market and an extensive government program to modernize and expand milling capacity. Rising incomes have also increased domestic consumption greatly,

Table A-2

Brazil: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value

Crop Year Ending 30 May	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	1,150	1,200	1,300	700	800
Production	5,100	5,350	5,900	6,900	7,300
Total supply	6,250	6,550	7,200	7,600	8,100
Consumption	3,500	3,650	3,900	4,250	4,400
Exports	1,550	1,600	2,600	2,550	2,700
Final stocks	1,200	1,300	700	800	1,000

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	1,216	2,640	2,975	2,325	2,700
United States	598	621	446	920	2,700
Free market	618	2,019	2,529	1,405	
Of which:					
Japan	12	112	129	100	190
China	411	368	150	150

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although by less than the gain in production. The share of output going to local consumption slipped from 69% in the 1970/71 crop year to 62% in 1973/74.

Exports and Stocks

8. A doubling of exports since 1971 has caused a significant decline in stocks. By 30 May 1974, stocks were only 67% of the 1970/71 level. Following the reduction in exports in 1974, stocks apparently have recovered and by early 1975 should approach more normal levels.

9. Expanding trade with the USSR, China, and Japan and a program to increase exports to the oil-exporting countries have shifted Brazil's sugar exports toward Asia and the Middle East. Brazil nevertheless remains the third largest foreign supplier of sugar to the United States -- the Philippines and the Dominican Republic are larger -- with exports to the United States in 1974 estimated at 920,000 tons.

Outlook for 1975

10. Brasilia is stepping up output in the 1974/75 crop year to 7.3 million tons. Because government price controls are insulating consumers from high world market prices, rising domestic consumption probably will absorb about two-fifths of the added production. The government plans to continue export curbs through the first part of 1975 in order to replenish stocks. Nevertheless, rising production will free more sugar for sale abroad, and we estimate 1975 exports at about 2.7 million tons.

11. A substantial part of expected 1975 exports already has been committed. Brazil has recently agreed to supply 190,000 tons per year to Japan for the next three to five years and has negotiated a contract with China to provide 150,000 to 200,000 tons annually for the coming five years. At least 100,000 tons has also been sold to the USSR for delivery in 1975. Recent government deals with several Middle East oil producers to exchange sugar for petroleum will absorb another few hundred thousand tons. Brasilia probably has also earmarked about 500,000 tons for the US market -- roughly equal to average shipments to the United States in recent years. Nearly 1.5 million tons will remain available for sale to other Middle Eastern, Asian, and African countries.

Longer Term Outlook

12. Sugar production will increase rapidly over the next several years. Production is planned to reach 11 million tons annually by 1980, with exports

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at 6 million tons and consumption of 5 million tons. We doubt that these plans will be fully realized. Brazil's rapid economic growth in recent years has already created labor shortages that have caused minor sugar harvesting bottlenecks, and labor will be in increasingly short supply in the coming years.

CUBA

Summary

13. Production in the crop year ending 31 August 1974 was 5.8 million tons up from 5.4 million tons a year earlier (see Table A-3). The gain permitted a 12% rise in exports in 1974, of which 38%, or 2.0 million tons, was sold in the

Table A-3

Cuba: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	1,770	1,745	705	790	775
Production	5,900	4,380	5,350	5,800	5,525
Total supply	7,670	6,125	6,055	6,590	6,300
Consumption	615	500	465	475	425
Exports	5,310	4,920	4,800	5,340	5,200
Final stocks	1,745	705	790	775	675

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	5,510	4,140	4,797	5,360	5,200
Free market	2,232	1,846	1,785	2,025	2,000
Of which:					
Japan	912	909	985	1,250	500
Communist countries	3,278	2,294	3,012	3,335	3,200
Of which:					
USSR	1,581	1,097	1,661	1,900	1,900
Eastern Europe	960	696	839	820	825
China	464	295	302	380	300

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free market - about the same share as in 1973. Last summer's drought may reduce the 1974/75 harvest, and 1975 exports to the free market probably will remain at about last year's level.

Production and Consumption

14. Shifting government plans and varying weather have caused Cuban sugar output to fluctuate widely in recent years. An all-out drive in 1969/70 produced a record 8.5-million-ton crop. Bad weather cut the 1971/72 crop to 4.4 million tons. Since then, the government has increased production gradually, avoiding major drives because of their disruptive effects on other economic sectors. Domestic sugar rations have been cut one-third since 1971 to free additional sugar for export. Per capita consumption, among the world's highest, still exceeds 100 pounds yearly.

Exports and Stocks

15. As a major supplier of sugar to the Communist area, Cuba ships approximately 60% of its exports to Communist countries - more than half of this to the USSR and the remainder to Eastern Europe, China, and the Far Eastern Communist countries. Most of Cuban sales to the free market go to Japan (about one million tons annually) and to Syria, Spain, Morocco, Sweden, and Canada. Partly because prices paid by the Communist countries have exceeded world market prices until this year, the share of total exports going to the free market has remained essentially unchanged. Since 1971/72, Cuba has maintained essentially constant stocks. The large 1971/72 stock reduction eliminated excessive stocks accumulated from the 1969/70 production drive.

16. The tight world market in 1974 enabled Cuba to reap a bonanza. The price received for free market sales probably averaged 25 cents a pound for the year, and most of the Communist countries paid 20 cents. Cuba's 1974 sugar receipts totaled about \$2.5 billion, of which \$1.1 billion was in hard currency. Total 1973 earnings came to \$1.0 billion, of which \$320 million was in hard currency.

Outlook for 1975

17. Insufficient rainfall in the summer growing season probably will reduce the 1974/75 harvest to about 5.5 million tons despite increased plantings and other efforts to enlarge the crop. Pressure from the other Communist countries and strong free market prices probably will induce Cuba to maintain exports at about the

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same level as last year by cutting consumption and stocks. Accordingly, we estimate Cuban 1975 free market sales at 2 million tons, and receipts higher than 1974.

Longer Term Outlook

18. Cuba is attempting to maintain gradual increases in sugar output over the next several years. The government is giving greater attention to increasing yields and improving transport and milling facilities. Because of the disastrous effect of the 1969/70 sugar drive on other economic sectors, another all-out effort in the near future is unlikely.

OTHER LATIN AMERICA*

Summary

19. Accounting for about 14% of world sugar production, the remaining Latin American countries harvested about 11.3 million tons in the crop year ending 31 August 1974, up about 8% over the previous year (see Table A-4). Because of increased consumption, however, the region's net exports to the world market

Table A-4

Other Latin America: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value

Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	1,965	1,865	1,590	1,290	1,100
Production	9,867	10,100	10,449	11,335	11,667
Imports	264	295	348	465	460
Total supply	12,096	12,260	12,387	13,090	13,227
Consumption	5,993	6,350	6,710	7,040	7,300
Exports	4,238	4,320	4,387	4,950	4,560
Final stocks	1,865	1,590	1,290	1,100	1,367

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports (net)	3,820	4,100	3,850	3,900	4,100
United States	2,489	2,512	2,307	2,750	4,100
United Kingdom	853	877	835	500	
Free market (net)	478	711	708	650	

* Excluding Brazil and Cuba.

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grew only 1%, to 3.9 million tons in 1974. The 1974/75 harvest is expected to climb to 11.7 million tons, permitting a 5% rise in exports to about 4.1 million tons.

Production and Consumption

20. Latin American output grew 4.7% annually from 1970/71 to 1973/74 as a result of rising world market prices and government programs to increase yields and milling efficiency. Sugar consumption has nearly kept pace with production increases because of rising population, rising incomes, and government policies that keep domestic prices artificially low. Consumption increased slightly as a share of output - from 61% in 1970/71 to 62% in 1973/74.

Exports and Stocks

21. About 70% of the region's sugar exports, supplied principally by the Dominican Republic and Mexico, go to the United States. Another one-eighth is exported to the United Kingdom, chiefly by the small Commonwealth Caribbean producers. The strong world market since early 1972 has encouraged a high level of exports that could be supported only by steady withdrawals from stocks.

Outlook for 1975

22. Production is expected to grow by 2.9% in 1974/75, more than enough to cover the small increase in consumption. Continued strong world market prices suggest a further increase in exports.

Longer Term Outlook

23. Production will continue to increase moderately as key producing countries expand harvest areas and adopt methods to improve yields. Consumption will tend to keep pace with production, particularly in the oil-producing countries -- Mexico, Ecuador, Bolivia, and Venezuela. No dramatic increases in export availability are likely in coming years.

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EASTERN EUROPE*

Summary

24. Although purchases from Cuba make the region a net importer, Eastern Europe normally exports sugar to the free market. Production, which had been increasing previously, declined 3% in 1973/74 and will fall about 9% in 1974/75 because of bad weather in both growing and harvesting seasons (see Table A-5). Consumption will be bolstered again this year by a steep cut in free market sales and by drawing on stocks.

Table A-5

Eastern Europe: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value			
Crop Year Ending 31 August	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	690	610	610
Production	4,410	4,270	3,900
Net imports	160	480	800
Total supply	5,260	5,360	5,310
Consumption	4,650	4,750	4,800
Final stocks	610	610	510
Calendar Year	1973	Estimated 1974	Projected 1975
Imports ¹	890	900	950
Of which:			
Cuba	790	830	800
Net exports to the free market	720	360	150

1. Excluding intra-area trade.

Production and Consumption

25. East European sugar production increased in the late 1960s and early 1970s as sugar beet acreage was expanded throughout most of the region. Production peaked at 4.4 million tons in 1972/73 and then dropped to 4.3 million

* Including Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

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tons in 1973/74 as a result of unfavorable weather and official neglect. Consumption has been increasing steadily in recent years, reaching an estimated 4.8 million tons in 1973/74.

Trade and Stocks

26. Poor harvests in Cuba have limited imports to about 900,000 tons annually in the last few years. Meanwhile, exports to the free market were increased steadily to take advantage of rising prices. In 1974, however, the production decline forced a curtailment of deliveries to the free market to maintain stocks.

Outlook

27. The crop decline probably will force another cutback in free market sales to about 150,000 tons in 1975 -- only about 40% of the 1974 level. The recent free market price rises nevertheless have renewed interest by East European regimes in expanding export sales and in protecting consumers from world price fluctuations. To stimulate increased production, Poland has raised its procurement price for beets, and the other countries are likely to take similar steps. Given good weather, Eastern Europe's sugar production should rebound to 4.5-5.0 million tons in the next couple of years.

EUROPEAN COMMUNITY

Summary

28. Although imports of cane sugar by the United Kingdom make the EC a net importer, the region normally exports beet sugar to the free market. Under the Common Agricultural Policy (CAP), production in countries other than the United Kingdom has been supported in recent years at levels sufficient to meet growing demand and to make the EC a major free market supplier. In 1974/75, however, unfavorable weather is causing an 8% decline in output. This change, coupled with the need to greatly increase sales to the United Kingdom, will require substantial imports from the free market (see Table A-6).

Production and Consumption

29. Protected by the CAP, EC (excluding the United Kingdom) sugar output averaged about 9 million tons annually in 1971/72-1973/74 (see Table A-6).

Table A-6

European Community¹: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	2,075	1,566	1,937	1,435	1,357
Production	8,120	9,314	8,552	9,123	8,400
Net exports	962	1,289	962	901	Negl.
Total supply	9,233	9,591	9,527	9,657	9,757
Consumption	7,667	7,654	8,092	8,300	8,300
Final stocks	1,566	1,937	1,435	1,357	1,457
Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	874	1,462	1,478	915	Negl.
Free market	837	1,431	1,405	625	-600 ²
United Kingdom	37	31	73	290	600

1. Excluding the United Kingdom.

2. Estimated imports.

France and West Germany are the largest producers, accounting for well over half the total. Consumption has been rising in recent years but remained below 95% of output through 1973/74.

Exports and Stocks

30. EC exports to the free market have fluctuated widely in recent years. Sales reached 1.3 million tons in 1971/72 but declined to 900,000 tons in 1973/74, when increased consumption, sizable sales to the United Kingdom, and cessation of stock drawdowns more than offset a rise in output. Until 1974, stocks had been drawn down for several years to take advantage of rising free market prices.

Outlook

31. Despite higher retail sugar prices and the deepening recession, consumption in 1975 probably will remain at about last year's level. Consequently, the EC probably will cover the increased deliveries promised to the United Kingdom

by corresponding purchases in the free market to prevent a further decline in stocks. In the 1975/76 crop year, the EC supply situation should ease somewhat. Production quotas have been set at about 12 million tons, while consumption is estimated at about 8.3 million tons. Lead time on the new quotas was so short, however, that actual output will likely fall somewhat short of the target.

The UK - A Special Case

32. UK sugar production and consumption have remained fairly steady at 1.0-1.1 million tons and 2.9 million tons, respectively, in recent years (see Table A-7). UK cane sugar refineries have relied almost entirely on imports under the Commonwealth Sugar Agreement to make up the difference. Diversion of some Commonwealth sugar to the US and free markets in 1974 forced the United Kingdom to make up most of the deficit from other sources, chiefly the free market. Despite lower imports, consumption was maintained at the previous year's rate, mainly by drawing on stocks.

Table A-7
United Kingdom: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	488	561	718	654	451
Production	984	1,179	985	1,070	575
Net imports	1,996	1,858	1,887	1,627	1,900
Total supply	3,468	3,598	3,590	3,351	2,926
Consumption	2,907	2,880	2,936	2,900	2,700
Final stocks	561	718	654	451	226

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	255	324	295	253	Negl.
Imports	2,101	2,129	2,017	2,136	2,100
Commonwealth countries	1,883	1,864	1,621	1,345	1,500
Free market	181	234	323	501	
European countries	37	31	73	290	600
Net imports	1,846	1,805	1,722	1,883	2,100

33. A large, weather-induced decline in the 1974/75 harvest is creating a tight supply situation in 1975. Since imports are not expected to rise above the 1974 level, significant reductions in the UK consumption and stocks are probable. Expiration of the Commonwealth agreement is causing a considerable shift in the sources of UK supplies. Imports from the other EC members are expected to about double. Additional supplies will be available as a result of the early February 1975 EC agreement with a large number of LDC cane sugar producers. Under the agreement, these countries, which include most Commonwealth members, will provide 1.4 million tons annually at prices guaranteed to be no less than the CAP support price. Because of the short lead time, only part of the agreed supply will be available in 1975. The remainder of UK imports will come from free market purchasers.

INDIA

Summary

34. India's production of centrifugal sugar reached nearly 4.0 million tons in 1973/74, following several years of growth (see Table A-8). Sugarcane production has been fairly stable during this period, but India has used larger shares of the cane crop for centrifugal sugar in order to maximize export earnings. Domestic consumption has been restricted and stocks reduced to increase supplies available for export. Larger output in 1974/75 probably will increase exports further.

Production and Consumption

35. Centrifugal sugar accounts for only about 36% of total Indian sugar output. The remaining sugarcane is processed into *gur*, a semi-refined brown sugar, and *khandsari*, a more highly refined, almost white sugar, both of which are produced solely for the domestic market. Rising world sugar prices have prompted India to boost exports, and domestic consumption of centrifugal sugar has been reduced by 13% during the past three years in order to increase sales abroad.

Exports and Stocks

36. Sugar exports in 1974 probably doubled to about 400,000 tons. In addition to traditional exports to the preferential US and UK markets, India has sharply increased sales to Iran, Kuwait, and several Asian countries in its effort

Table A-8

India: Supply and Distribution of Centrifugal Sugar

Thousand Metric Tons, Raw Value					
Crop Year Ending 30 September	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	2,090	1,410	598	605	655
Production	3,740	3,112	3,873	3,950	4,000
Total supply	5,830	4,522	4,471	4,555	4,655
Consumption	4,025	3,780	3,516	3,500	3,500
Exports	395	144	350	400	500
Final stocks	1,410	598	605	655	655

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	354	105	209	400	500
United States	76	78	76	80	80
United Kingdom	33	27	27	30	30
Iran	....	....	22	170	170
Other	245	....	84	120	220

to maximize foreign exchange earnings and diversify markets. Reduced domestic consumption provided the supply that made this jump possible. Stocks climbed some 50,000 tons to an estimated 655,000 tons on 1 October 1974.

Outlook

37. Although sugarcane production will fall about 4% in 1974/75 because of below-normal rains during the summer growing season, output of centrifugal sugar is expected to grow slightly. Continuing government efforts to restrict domestic consumption and stock accumulation should permit last year's level of exports. Over the longer term, India probably will expand sugarcane and centrifugal sugar production substantially, primarily for domestic consumption.

PHILIPPINES

Summary

38. Sugar output in 1973/74 amounted to 2.7 million tons, and 1974 exports totaled 1.9 million tons, nearly all of which went to the United States. Typhoon damage probably will cut production in 1974/75 to perhaps 2.4 million tons (see Table A-9). With continued growth in domestic consumption, this could reduce exports about 20% to some 1.5 million tons in 1975 despite a likely reduction in stocks.

Table A-9

Philippines: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	284	284	217	138	350
Production	2,300	2,000	2,500	2,700	2,400
Total supply	2,584	2,284	2,717	2,838	2,750
Consumption	700	800	800	900	1,000
Exports	1,600	1,267	1,779	1,538	1,500
Final stocks	284	217	138	350	250

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	1,411	1,262	1,385	1,900	1,500
United States	1,411	1,262	1,319	1,800	1,500
Free market	....	....	66	100	

Production and Consumption

39. Production has generally increased over the past few years as a result of expanded acreage and generally good weather. In 1973/74, output registered an 8% gain over the previous year. The growth of domestic consumption, however, has tended to limit the growth of exports. Despite higher prices for consumers, the share of output going to consumption rose to one-third in 1973/74.

Exports and Stocks

40. To maximize export earnings while meeting growing domestic demand, the Philippines drew down stocks following 1970/71. Stock levels rebounded in 1973/74 and are currently about 350,000 tons, still about two months' exports. Philippine sugar traditionally has gone exclusively to the United States to take advantage of high US prices. In 1973, however, Manila began shipping small amounts to other Asian countries, including Japan, Malaysia, and South Korea.

Outlook for 1975

41. Although production in 1974/75 is uncertain because of typhoon damage, we estimate that it could drop to 2.4 million tons. Because of the growth of domestic consumption, exports may slip to 1.5 million tons. The Philippines probably will continue to ship a large share of its output to the United States. Manila is seeking other markets and apparently has offered the Japanese "large quantities" of raw sugar as a hedge against possible losses in the US market.

Longer Term Outlook

42. Steady but moderate increases in output are likely. Five new mills with a total capacity of 375,000 tons are planned for construction but will not be in full production until three to five years from now. Sugarcane plantings are now being expanded onto marginal land, and further expansion will have to divert land from rice - which is currently being emphasized in government agricultural plans. Yearly export gains thus are likely to be around 55,000-60,000 tons at most over the next several years.

SOUTH AFRICA

Summary

43. Sugar output, which had grown steadily in previous years, fell 10% in 1973/74 to 1.7 million tons (see Table A-10). In an effort to meet growing consumption needs and export commitments, stocks were reduced sharply to about 10% of annual consumption. Although output will probably rebound in 1974/75, a rising domestic consumption and already low stock levels will limit exports to about last year's level of 850,000 tons.

Table A-10

South Africa: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value				
Crop Year Ending 30 April	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	145	284	191	116
Production	1,865	1,915	1,732	1,900
Total supply	2,010	2,199	1,923	2,016
Consumption	871	909	980	1,050
Exports	855	1,099	827	850
Final stocks	284	191	116	116

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	765	1,046	915	850	850
United States	82	29	90	50	850
Free market	683	1,017	825	800	
Of which:					
Canada	262	272	281	250	250
Japan	372	569	467	500	400

Production and Consumption

44. Sugar production, which has been rising about 5% annually in the last decade, reached a record 1.9 million tons in 1972/73. In 1973/74 it slipped about 10% to 1.7 million tons as a result of reduced rainfall. Consumption has absorbed a growing share of output in recent years because of expanded industrial use, increasing purchasing power of the urban black population, and artificially low retail prices. When the harvest dropped in 1973/74, the consumption share rose to 57%, from 47% the year before.

Exports and Stocks

45. Exports dropped from a 1.0-million-ton peak in 1972 to 850,000 tons in 1974. Efforts to meet consumption requirements and export commitments reduced stocks about 60% from 30 April 1972 to the end of the 1973/74 crop year. Japan and Canada normally buy more than 80% of exports.

Outlook for 1975

46. Improved weather augurs a crop of 1.9 million tons in 1974/75. Nevertheless, the continuing rise in domestic consumption and a possible effort to rebuild stocks probably will keep exports at the 1974 level.

Longer Term Outlook

47. Limited acreage suitable for sugarcane cultivation and rising domestic demand are likely to impose a ceiling of about 1 million tons annually on South Africa's sugar exports for the remainder of the decade. South Africa is expanding irrigation and diverting land from other crops in an effort both to stabilize exports and to cover the expected growth in consumption.

APPENDIX B

NET IMPORTING COUNTRIES AND REGIONS

JAPAN

Summary

1. Lower production in 1974/75 and high world prices have prompted Tokyo to restrict domestic demand, and consumption in 1975 probably will fall for the second year in a row (see Table B-1). Imports probably will remain at about the 1974 level to permit partial rebuilding of stocks.

Table B-1

Japan: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 30 September	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	375	462	527	273	353
Production	440	564	631	634	515
Imports	2,449	2,579	2,330	2,560	2,600
Total supply	3,264	3,605	3,488	3,467	3,468
Consumption	2,802	3,078	3,215	3,114	3,000
Final stocks	462	527	273	353	468

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Imports (total)	2,366	2,754	2,445	2,600	2,600
Australia	488	675	642	250	600
Brazil	27	115	100	80	190
Cuba	1,084	885	937	1,300	500
South Africa	284	585	536	450	400
Other	483	494	230	520	910

Production and Consumption

2. Domestic production, which accounts for only about 20% of sugar consumption, has remained relatively stable in recent years at about 600,000 tons.

A drop of about 20% in output is anticipated in 1974/75, however, because farmers have shifted from sugar beets to soybeans, wheat, and other crops that have been assured large government incentive payments. Total sugar consumption, which had been rising by about 5% a year, declined 3% in 1974 because of high prices. Despite attempted government controls, tight supplies and rising world market prices have pushed up retail prices by about 85% since the end of 1972.

Imports

3. Imports have fluctuated in recent years between 2.4 and 2.8 million tons. The low 1973 figure apparently resulted from the tight world supply situation. In 1974, imports probably reached about 2.6 million tons, approaching the 1972 record. Three suppliers - Cuba, Australia, and South Africa - generally provide about 80% of Japan's imports. Through October of 1974, Cuba's share had risen significantly over the previous two years, and Thailand became a major supplier for the first time.

4. Japanese officials reportedly expect a turbulent market in 1975 and are intent on ensuring a stable supply for future needs. Japanese trading companies have already concluded contracts for about one million tons a year:

- Brazil - 190,000 tons a year for 3-5 years.
- Thailand and Taiwan - 100,000-200,000 tons a year for 3-5 years.
- Trinidad and Fiji - 30,000 tons (each) a year for 2 and 5 years, respectively.
- Australia - 600,000 tons a year for 5 years.

Stocks

5. Stocks increased steadily until 1973, when they were drawn down sharply to offset the decline in imports. As of 30 September 1974, they amounted to 353,000 tons, equal to only about 11% of annual consumption. Stocks will be augmented on the order of 115,000 tons next year.

Outlook

6. Japanese sugar consumption and imports probably will hold steady or decline slightly until the tight world supply situation eases. As supplies increase

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and prices fall, however, consumption should again increase by 2%-3% a year. Production, however, will rise relatively little. Because no large stock buildup is anticipated, imports will increase at about the same rate as consumption.

MIDDLE EAST AND NORTH AFRICA*

Summary

7. Production in 1974 totaled 720,000 tons, about the level of the previous three years (see Table B-2). Inability to expand production has led to a 60% increase in imports to meet growing demand. Rumors of heavy speculative buying in 1974, however, appear unfounded inasmuch as stocks have been restored to only the 1970-71 levels. The 1975 outlook indicates a further increase in imports to meet growing consumption needs and to raise stock levels proportionately.

Table B-2

Middle East and North Africa¹: Sugar Supply and Distribution

Calendar Year	Thousand Metric Tons, Raw Value				
	1971	1972	1973	Estimated 1974	Projected 1975
Beginning stocks	540	500	230	400	570
Production	710	680	670	720	720
Of which:					
Iran	637	598	600	650	650
Imports	1,050	1,000	1,600	1,700	1,800
Total supply	2,300	2,180	2,500	2,820	3,090
Consumption	1,800	1,950	2,100	2,250	2,400
Final stocks	500	230	400	570	690

1. Algeria, Iran, Iraq, Kuwait, Libya, Saudi Arabia, Syria, and the United Arab Emirates.

Production and Consumption

8. Iran accounts for about 90% of the region's total production and is responsible for the stagnation of the area's output. Consumption has grown 25% since 1971, to an estimated 2.2 million tons in 1974, because of rapidly rising incomes and the region's dietary propensity for sugar.

* Including Algeria, Iran, Iraq, Kuwait, Saudi Arabia, Syria, and the United Arab Emirates.

Imports and Stocks

9. Imports rose 60% in the past three years to meet growing demand and to insure adequate stocks. Because of rapidly rising oil revenues, high world sugar prices appear to have had little impact on demand. Acceleration of imports in 1973 and 1974 has enabled these countries to rebuilt stocks to earlier levels of about 500,000-600,000 tons.

10. While imports have been rising rapidly, widespread rumors of heavy speculative buying by Middle East oil producers appear unfounded. Recent reports of Algerian and Kuwaiti purchases of 3 million tons and 2 million tons, respectively, are totally inconsistent with available market supplies and real demands of the two countries. Contributing to these rumors are large speculative offers from brokers - many of whom do not have control over the sugar offered.

Outlook

11. Consumption in 1975 is expected to increase about 7%, to 2.4 million tons. Production, on the other hand, will remain at about last year's level of 720,000 tons. Imports thus are expected to reach 1.8 million tons to meet growing consumption needs and expand stocks to about 700,000 tons.

THE PEOPLES REPUBLIC OF CHINA

Summary

12. China's production totaled an estimated 1.8 million tons in 1974 (see Table B-3). Consumption has grown slowly but steadily, and maintenance of per capita intake has been accomplished only through rationing. As a result, net imports have grown to compensate for the rising production deficit and to rebuild stocks. Production and consumption are both expected to make further gains in 1975, and imports could rise substantially if several long-term bilateral contracts, now being negotiated, are concluded.

Production and Consumption

13. Long-term increase of cane and sugar beet output in China has been constrained by abrupt shifts in acreage caused by the need for increased grain production. These shifts plus yearly changes in growing conditions have led to

Table B-3

China: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Beginning stocks ¹	400	90	153	428	423
Production ¹	1,400	1,600	1,900	1,800	1,900
Net imports	347	593	581	480	530
Total supply	2,147	2,283	2,634	2,708	2,853
Consumption ¹	2,057	2,130	2,206	2,285	2,400
Final stocks ¹	90	153	428	423	453

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Imports (total)	464	749	736	630	680
Australia	....	37	66	50	100
Brazil	....	411	368	150	150
Cuba	464	295	302	380	300
Other	....	6	....	50	130

1. Estimated.

large annual fluctuations in sugar output. Total consumption has been rising slowly but steadily as the population increases. A strict national system of rationing has contained the growth of per capita consumption.

Trade and Stocks

14. Net imports grew sharply in 1972 both to cover the growing gap between production and consumption and to replenish stock drawdowns following a series of below-average harvests. Imports remained fairly stable in 1973 and then fell, in part in response to rising world prices and in part to a good 1973 crop. Until 1972, virtually all of China's imports came from Cuba. Subsequently, China has bought substantial quantities of sugar from Brazil and Australia because of poor Cuban crops and cooling relations between the two countries.

Outlook

15. Production is projected at 1.9 million tons in 1975 because of Chinese reluctance to expand acreage devoted to sugar crops at the expense of other crops.

Consumption is expected to continue its slow growth and probably will approach 2.4 million tons. Net imports will at least remain at last year's level and may exceed it if pending long-term bilateral contracts with Australia, Guyana, and Jamaica are concluded. Stock levels are expected to increase somewhat.

USSR

Summary

16. Soviet raw sugar production recovered to 9.4 million tons in 1973/74 after two years of poor weather and low output (see Table B-4). Consumption has continued to grow steadily despite lower production, forcing Moscow to draw

Table B-4

USSR: Sugar Supply and Distribution

Thousand Metric Tons, Raw Value					
Crop Year Ending 30 June	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks ¹	4,069	2,850	2,060	1,805	2,160
Production	9,000	8,000	8,200	9,400	8,600
Net imports	131	1,660	2,295	2,105	2,250
Total supply	13,200	12,510	12,555	13,310	13,010
Consumption	10,350	10,450	10,750	11,150	11,500
Final stocks ¹	2,850	2,060	1,805	2,160	1,510

Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Exports	1,402	64	47	100	0
Imports	1,536	1,950	2,650	1,950	2,170
Cuba	1,536	1,101	1,603	1,900	1,900
Free market	....	849	1,047	50	270
Australia	....	143	65	....	50
Brazil	....	325	438	....	100
Other	....	381	544	50	120
Net imports (total)	134	1,886	2,603	1,850	2,170

1. Estimated.

down stocks and increase imports. Poor weather will cause another drop in production during 1974/75, and Moscow again will increase imports and probably reduce stocks further.

Production and Consumption

17. Soviet raw sugar production declined seriously in 1971 and 1972 because of drought. Normal rainfall in 1973/74 enabled production to recover, but output still remained below consumption, which continued its steady rise and reached an estimated 11.2 million tons in 1974. Retail prices have been held unchanged for more than a decade despite rising world prices.

Imports and Stocks

18. Soviet net imports rose abruptly from 134,000 tons in 1971 to an annual average of 2.1 million tons in 1972-74. Domestic production shortfalls have forced Moscow to supplement traditional imports from Cuba with net imports from the free market. Moreover, Soviet stocks declined nearly 40% since the 1970/71 crop year. While stocks recovered following the 1973/74 crop, they are still only one-half traditional levels.

Outlook for 1975

19. Sugar output for 1974/75 is expected to total only 8.6 million tons, some 800,000 tons below the previous crop. Bad weather delayed the harvest and reduced the sugar content of the beets. Consequently, Moscow has resumed free market sugar purchases and already has contracted for 270,000 tons, most of it from Brazil, Peru, and Australia. If consumption continues its recent march, either stocks must again be reduced or additional purchases must be made on the free market during the year.

Longer Term Outlook

20. Future Soviet sugar policy is unclear. Because of Cuba's recurrent inability to meet Soviet requirements, the USSR may be forced to reconsider its growing dependence on imports. On the other hand, the USSR's limited processing capacity will make the expansion of domestic production dependent on major new capital investments.

Table B-5

United States: Sugar Supply and Distribution¹

Thousand Metric Tons, Raw Value					
Crop Year Ending 31 August	1970/71	1971/72	1972/73	Estimated 1973/74	Projected 1974/75
Beginning stocks	1,623	1,762	1,604	1,568	1,366
Production	5,620	5,611	5,996	5,322	5,250
Imports (net)	5,119	5,021	4,749	5,183	4,800
Total supply	12,362	12,394	12,349	12,073	11,416
Consumption	10,600	10,790	10,781	10,707	9,800
Final stocks	1,762	1,604	1,568	1,366	1,616
Calendar Year	1971	1972	1973	Estimated 1974	Projected 1975
Imports (net)	5,068	4,951	4,831	5,440	4,800
Of which:					
Philippines	1,444	1,299	1,319	1,458	N.A.
Dominican Republic	663	682	676	848	N.A.
Brazil	590	578	592	900 est.	N.A.
Mexico	562	588	578	500	N.A.

1. Data provided by the Department of Agriculture.